

OVERVIEW PREMERA REORGANIZATION¹

REORGANIZATION STEPS

- Premera Blue Cross, a non-profit corporation, will create a new for-profit subsidiary (New PBC) to which Premera Blue Cross will transfer all its assets in exchange for 100% of New PBC stock
- Premera Blue Cross will dissolve and distribute its assets (comprised of 100% of the initial stock of New PBC) to PREMERA, its corporate member
- PREMERA, a non-profit corporation, will create a new for-profit subsidiary (New PREMERA) to which PREMERA will transfer all its assets (comprised of 100% of New PBC's stock) in exchange for 100% of New PREMERA's stock
- PREMERA will dissolve and distribute its assets (comprised of 100% of the initial stock of New PREMERA) to a new foundation established to fund health initiatives in Washington and Alaska as discussed below (the "Foundation Shareholder")²

FOUNDATION SHAREHOLDER SALES TO MONETIZE FUND FOR HEALTH INITIATIVES

- After reorganization, Foundation Shareholder holds 100% of the initial stock of New PREMERA, representing the entire ownership interest of New PREMERA
- Foundation Shareholder's shares in New PREMERA sold in public markets, subject to a divestiture schedule consistent with BCBSA rules & pre-agreed terms established between New PREMERA and the Foundation Shareholder, with approval of applicable regulatory authorities.
- Foundation Shareholder transfers cash generated from such sales to Washington Charitable Foundation and Alaska Charitable Foundation dedicated to support health initiatives for the public good in the states of Washington and Alaska.

CAPITAL GENERATION FOR NEW PREMERA

- New PREMERA would have the right, at its discretion, to issue and sell newly issued shares of New PREMERA
- Proceeds going directly to New PREMERA and to fund the ongoing capital needs of the Premera companies

¹ Summary of proposed steps as outlined in Premera's May 30, 2002 letters to Commissioner Kreidler and Attorney General Gregoire

² Neither PREMERA nor Premera Blue Cross were established or operated as charitable institutions. The proposal to establish the Foundation Shareholder and Alaska and Washington charitable organizations to support health initiatives for the public benefit should not be construed to imply charitable or other similar status on the part of PREMERA or Premera Blue Cross.

6. NorthStar Administrators, Inc. (NorthStar) is a Washington, for-profit corporation which primarily provides third-party administrative (TPA) services to group benefit plans. NorthStar conducts its business primarily in Washington, Alaska and Oregon. NorthStar was formerly known as N.C.A.S.-Northwest, Inc. WAGS is the sole stockholder of NorthStar.
7. PremeraFirst, Inc. (PremeraFirst) is a Washington, for-profit corporation utilized primarily to act as an agent to contract with providers on behalf of several of the PREMERA companies. The sole stockholder of PremeraFirst is PBC.
8. Premera LifeWise Health Plan is a Washington, non-profit corporation organized under RCW 24.06. Premera LifeWise Health Plan was formerly known as Premera Healthcare and is registered as a health care services contractor (health carrier) under Washington law.
9. MSC Life Insurance Company (MSC Life) is a Washington, for-profit company authorized to transact the business of life and disability insurance in the state of Washington. MSC Life primarily offers stop loss coverages to self-funded employer benefit plans. PBC is the sole stockholder of MSC Life.
10. Quality Solutions is a Washington, non-profit corporation organized under RCW 24.06. Quality Solutions is primarily organized to provide investigation and recovery services (e.g., subrogation and coordination of benefits) to health plans and self-funded employer benefit plans.
11. Western Benefits Administrators, Inc. (WBA) is an Oregon, for-profit corporation organized for the primary purpose of administering health benefits for self-insured employers. WBA is currently inactive. LifeWise is the sole stockholder of WBA.

SUMMARY OF THE ORGANIZATIONAL STRUCTURE
OF THE
PREMERA COMPANIES

1. PREMERA is a Washington not-for-profit corporation created in 1994 under RCW 24.06. PREMERA is the upstream parent company and the sole voting member of Premera Blue Cross.
2. Premera Blue Cross (PBC) is a Washington non-profit corporation incorporated under RCW 24.03. PBC was formerly known as Blue Cross of Washington and Alaska (BCWA) and is the legal successor to the merger of Medical Service Corporation of Eastern Washington (MSC) into BCWA. PBC operates as MSC Incorporated as Premera Blue Cross in Eastern Washington and as Blue Cross Blue Shield of Alaska in the state of Alaska. PBC is registered as a health care service contractor (health carrier) under Washington and Alaska laws. PBC is licensed by the Blue Cross Blue Shield Association to use the Blue Cross mark and name in various counties in the state of Washington and in the state of Alaska, and is licensed to use the Blue Shield mark in various counties in eastern Washington. PBC maintains offices in Mountlake Terrace, Spokane and Anchorage.
3. Washington-Alaska Group Services, Inc. (WAGS) is a Washington, for-profit corporation licensed as an insurance sales agency in Washington, Alaska, Idaho, and Oregon. The sole stockholder of WAGS is PBC.
4. LifeWise, A PREMERA Health Plan, Inc. (LifeWise) is an Oregon, for-profit stock insurance company licensed to transact the business of life and health insurance in Oregon and Idaho. LifeWise is headquartered in Portland and also has offices in Bend. WAGS is the sole stockholder of LifeWise.
5. States West Life Insurance Company (SWL) is a Washington, for-profit corporation licensed as a life and disability insurer in Alaska, Arizona, California, Idaho, Montana, New Mexico, North Dakota, Oregon, Utah, Washington, and Wyoming. SWL primarily offers life insurance products in the states in which it is licensed. WAGS is the sole stockholder of SWL.

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